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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

WQ2-2231

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter ended March 31, 1992 Commission File Number 0-4968

ROBESON INDUSTRIES CORP.

Exact Name of Registrant as specified in its charter.

Delaware

13-2588696

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

4041D Hadley Road South Plainfield, NJ

07080

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 908-756-2001

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days, X Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

CLASS

Common stock \$.10 per value:

Outstanding at March 31, 1992

2,425,175 shares

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ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

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ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Note 1)

ASSETS

	<u>MARCH 31, 1992</u> (Unaudited)	<u>DECEMBER 31, 1991</u>
Current Assets		
Cash	\$ 115,529	\$ 134,388
Accounts receivable (less allowance of \$32,217) (Note 2)	2,194,269	345,187
Inventories	76,002	100,410
Prepaid expenses	<u>58,616</u>	<u>40,162</u>
Total current assets	2,444,416	628,747
Property, plant and equipment at cost, less accumulated depreciation and amortization \$ 1,697,688 and \$1,668,113; respectively (Note 2)	216,609	234,185
Other assets	<u>62,850</u>	<u>52,740</u>
	\$ 2,723,875	\$ 915,672
	*****	*****

See accompanying notes

ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>MARCH 31, 1992</u> (Unaudited)	<u>DECEMBER 31, 1991</u>
Current Liabilities:		
Borrowings (Note 2)	\$ 0	\$ 20,394
Accounts payable and accrued liabilities	6,896,354	6,156,215
Notes Payable	200,000	
Current portion of capital lease	<u>10,284</u>	<u>12,468</u>
Total current liabilities	7,106,558	6,197,077
Long term portion of capital lease	<u>15,474</u>	<u>15,474</u>
Total liabilities	<u>7,122,032</u>	<u>6,212,551</u>
Stockholders' equity: (Note 3 and 4)		
Common stock - \$.10 par value		
Authorized - 10,000,000 shares, issued - 3,443,157 and 2,565,062, respectively; outstanding 3,433,175 and 2,555,080, respectively.	344,316	256,506
Additional paid-in capital	10,307,090	9,692,423
Accumulated deficit	<u>(15,044,700)</u>	<u>(15,240,945)</u>
	(4,393,294)	(5,292,016)
Less: Treasury stock, at cost (9,982 shares)	<u>4,863</u>	<u>4,863</u>
Total stockholders' equity	<u>(4,398,157)</u>	<u>(5,295,879)</u>
	\$ 2,723,875	\$ 915,672
	*****	*****

See accompanying notes

ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND MARCH 31, 1991

(Unaudited)

	<u>1992</u>	<u>1991</u>
Net sales	\$ 5,591,475	\$ 3,569,605
Cost of sales	<u>4,799,463</u>	<u>2,799,798</u>
Gross profit	792,010	769,815
Less, Pride Joint Venture Income	<u>72,289</u>	<u>769,815</u>
	719,621	
Selling, general and administrative expense	<u>682,238</u>	<u>853,862</u>
	36,391	(84,047)
Interest expense	<u>12,753</u>	<u>33,293</u>
Profit (loss) before provision for income taxes	23,638	(117,348)
Provision for income taxes	<u>7,091</u>	<u>0</u>
Net profit (loss) before extraordinary credit	16,547	(117,348)
Extraordinary credit (Note 4)	<u>179,698</u>	<u>0</u>
Net income	\$ 196,245	\$ (117,348)
Earnings per share	*****	*****
Income before extraordinary credit	\$.01	\$ (.05)
Extraordinary credit	<u>.06</u>	<u>.00</u>
Net income per share	\$.07	\$ (.05)
	*****	*****
Weighted average number of shares outstanding	2,815,614	2,555,080
	*****	*****
Cash dividends	NONE	NONE
	*****	*****

See accompanying notes

ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND MARCH 31, 1991

(Unaudited)

<u>OPERATING ACTIVITIES:</u>	<u>1992</u>	<u>1991</u>
Net Profit	\$ 196,245	\$ (117,340)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	29,576	49,685
Gain on forgiveness of debt	(172,607)	
Changes in operating assets and liabilities:		
(Increase)decrease in account receivable	(1,849,082)	773,201
Decrease (increase) in inventories	24,408	(16,514)
(Increase)decrease in prepaid expenses	(10,454)	232,144
(Increase) decrease in other assets	(10,110)	21,276
Increase(decrease) in accounts payable and accrued liabilities	912,746	(957,231)
Net cash provided by (used in) operating activities	<u>(879,270)</u>	<u>(14,779)</u>
<u>INVESTING ACTIVITIES:</u>		
Additions to property, plant and equipment, net	(12,000)	
<u>FINANCING ACTIVITIES:</u>		
(Payment of) increase in borrowings	(28,394)	29,653
Payment of capital lease obligations	(2,264)	
Proceeds from issuance of convertible debentures	200,000	
Proceeds from issuance of common stock	702,477	
Net cash provided by financing activities	<u>871,819</u>	<u>29,653</u>
(Decrease) increase in cash	(19,459)	14,874
Cash at December 31, 1991 and December 31, 1990; respectively	<u>124,988</u>	<u>44,384</u>
Cash at March 31, 1992 and March 31, 1991; respectively	\$ 115,529	\$ 59,258
	*****	*****

See accompanying notes

ROBESON INDUSTRIES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying financial statements contain all adjustments necessary to present a fair statement of the results for the interim periods presented. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report to Stockholders for the transition period February 23, 1991 to December 31, 1991.

The three months ended March 31, 1992 and March 31, 1991 consist of 13 weeks.

2. LINE OF CREDIT

The company was party to a number of agreements with Congress Financial Corporation ("Congress") which, together, provided for direct short-term borrowing under a revolving credit line and the financing of letters of credit up to an aggregate of \$3,000,000 based on accounts receivable and inventory levels (the "Financing Agreements"). The Financing Agreements have expired and the Company is currently seeking to arrange new sources of domestic financing. All the Company's overseas shipments are financed through letters of credit issued by Hang Seng Bank in Hong Kong upon transferable letters of credit issued by its customers.

3. ACCUMULATED DEFICIT

Changes in accumulated deficit are as follows:

Accumulated deficit at December 31, 1991	\$ (15,240,945)
Net profit	196,245
Accumulated deficit at March 31, 1992	\$ (15,044,700) *****

4. EXTRAORDINARY CREDIT

On January 14, 1992, the Company entered into agreements with two parties with an ownership interest in a significant shareholder of the Company, whereby the Company issued a total of \$200,000 in convertible notes payable due October 1, 1992 and bearing interest at a rate of 10% per annum. These notes are convertible at a rate of \$.80 per share. Utilizing proceeds from the convertible notes, the Company paid \$90,191 to certain creditors in March 1992 in full settlement of \$262,798 of obligations resulting in an extraordinary gain of \$172,607. At the same time certain Class III creditors converted approximately \$702,476 of claims to common stock at \$.80 per share in accordance with the terms of the original settlement agreement. In addition, \$7,091 was realized from the tax benefit utilization of operating loss carryforward.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS.**

A. Liquidity and Capital Resources

In the three months ended March 31, 1992, the Company had an accumulated working capital deficit which approximated \$4,660,000. For the transition period from February 23, 1991 to December 31, 1991, the Company's working capital deficit approximated \$5,568,000. The decrease in the working capital deficit was a result of the net income earned in the three month period, and the conversion of approximately \$702,476 of trade debt to common stock (see note 4).

In December 1989, as a result of continuing operating losses and the general deterioration of the Company's financial condition, Congress Financial Corporation ("Congress"), the Company's factor, commenced a program of severely restricting its advances to the Company. Any advances were limited to the amounts which were absolutely essential to the continuation of the Company's business, but were restricted for the purpose of enabling the Company to pay only current trade obligations.

As of February 28, 1992, the Company had repaid to Congress all amounts owed to Congress under the Agreements and the Company's financing Agreements with Congress expired without extension. The Company is currently seeking to arrange new sources of domestic financing.

In February 1990, the Company called a meeting of its 26 largest unsecured creditors. Such creditors have since formed an "Unofficial Creditors Committee of Robeson Industries Corp." (the "Committee"). The purpose of the Committee was to work with the Company to formulate a settlement plan for its outstanding trade debt. Such a settlement plan has been offered to and accepted by Robeson's Trade creditors. In March 1992 cash and stock was issued to creditors in partial settlement of certain creditors claims. There can be no assurance that the plan to settle the Company's debts with its creditors can be totally implemented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Subsequent Events."

On January 14, 1992, the Company entered into agreements with two parties related to a significant shareholder of the Company, whereby the Company issued a total of \$200,000 in convertible notes payable due October 1, 1992 and bearing interest at a rate of 10% per annum. These notes are convertible into the Company's common stock at a rate of \$.80 per share. In addition, the Company issued to each of the noteholders a warrant to purchase 12,500 additional shares of common stock at an exercise price of \$.80 per share. These warrants expire January 2, 1995.

B. Results of Operations

As a result of the Company's operating losses during fiscal 1990 and prior thereto, the Company adopted and implemented a plan to restructure its operations. In connection with the restructuring, which is ongoing, the Company ceased operations at its domestic manufacturing facility in February 1990. The Company now focuses solely on the marketing and sale of products produced by subcontractors in the United States or abroad against direct orders from customers.

The Company experienced an operating profit of \$196,245 for the three month period ended March 31, 1992 and an operating loss of \$(117,340) for the comparable three month period ended March 31, 1991.

The Company imports a significant amount of its products from Hong Kong, Taiwan, and China and, therefore, is subject to currency fluctuations. To the extent that production comes from foreign countries, costs may be effected by currency fluctuations.

The Company believes that inflation has not had a significant impact on its operations.

Sales

Sales increased 56.6% for the three months ended March 31, 1992 to \$5.6 million from sales of \$3.6 million for the three months ended March 31, 1991.

The increase in sales for the three month period ended March 31, 1992 as compared to the same period in 1991 was a result of an unusually warm winter causing earlier shipments of domestic fans.

Gross Profit

The gross profit was \$.7 million (13.0% of sales) for the three months ended March 31, 1992, compared to a gross profit of \$.8 million (21.6% of sales) for the three months ended March 31, 1991.

The decrease in gross profit as a percentage of sales for the three month period ended March 31, 1992 was a result of credits to cost of sales during the fourth quarter of the Company's fiscal year ending February 22, 1991. The Company has since changed to a calendar year ending in December.

Joint Venture Income

In August 1991, the Company entered into a Joint Venture agreement with Pride Products Inc. to manufacture seasonal products for the company for a period of five years. Pride Products Inc. and the Company agreed to share equally the profits from the future sale of these products by the Company. Pride Products Inc.'s share of the profits for the three months ending March 31, 1992 was \$72,389.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of \$.7 million (12.2% of sales) for the three months ended March 31, 1992 was compared to the selling, general and administrative expenses of \$.9 million (23.9% of sales) for the same period ended March 31, 1991.

The decrease in selling, general and administrative expenses was attributable to a decrease in payroll and payroll related expenses, travel and entertainment and other administrative costs in connection with the Company's continuing restructuring which commenced in November 1989.

Interest Expense

Interest expense in the three months ended March 31, 1992 was \$12,800, as compared to \$33,300 for the same period ended March 31, 1991. The decrease was a result of reduced borrowing levels required to finance lower inventories and arrangements with the Company's domestic manufacturer to be paid only after collection of the Company's receivables.

Possible Future Events

Settlement Proposal

As at February 6, 1990, a total of approximately \$3,700,000 was due and owing to creditors of the Company for goods sold and delivered, freight charges, professional fees and miscellaneous types of liabilities which remain unpaid (the "Trade Debt") and which are the subject of a settlement proposal (the "Settlement Proposal") which was originally offered on August 21, 1990 to creditors to whom the Trade Debt is owed.

Breakdown of Trade Debt

The Trade Debt as of February 6, 1990, of approximately \$3,700,000 was owed to some 368 creditors. As of such date, approximately 264 creditors held claims under \$5,000 aggregating \$300,000 (the "Class I Creditors"); approximately 85 creditors held claims between \$5,000 and \$39,000 aggregating \$1,300,000 (the "Class II Creditors"); and approximately 19 creditors held claims in excess of \$39,000 aggregating \$2,100,000 (the "Class III Creditors").

Original Settlement Proposal

The following is the original Settlement Proposal with respect to each class:

Class I

Robeson offered to pay to Class I Creditors 30% of their claims in cash on the date on the later of October 1, 1990 or the closing of a contemplated stock purchase agreement with a potential investor (the "Settlement Date").

Class II

Robeson offered to pay to Class II Creditors either (i) 25% of their claims on the Settlement Date or (ii) 16.667% of their claims on May 15, 1991, and thereafter 4.167% of their claims on the 15th day (or the next business day if the 15th falls on a weekend or holiday) of the months of August, November, February and May through and including May 15, 1993 (a total of 50% of their claims) and on May 15 (or the next business day if May 15 falls on a weekend) of calendar years 1992 through and including 1997, their pro rata share* of 15% of Robeson's pre-tax profits annually for the respective fiscal years ending February 1992, 1993, and 1994** and 20% of Robeson's pre-tax profits annually for fiscal years ending February 1995, 1996, and 1997.

Class III

Class III Creditors were offered (i) the same alternatives available for Class II Creditors for all or a portion of their claims or (ii) the opportunity to convert all or a portion of their claims into Robeson common stock at approximately \$.80 per share.

Any newly issued shares will be unregistered and, therefore, not freely tradeable. However, Robeson has agreed to register such shares and make them freely tradeable within one year from the Settlement Date.

The deadline for responses to the Settlement Proposal was October 31, 1990. The Settlement Proposal provided that such Settlement Proposal provided would be implemented only upon receipt of acceptances thereof from at least eightyfive percent (85%) in total dollar amount of the Class I, Class II and Class III Creditors. As of November 1, 1990, responses had been received from creditors holding approximately \$3,300,000 of the Trade Debt. Accordingly, more than eighty-five

* A creditor's pro rata share shall be determined by the ratio of the individual creditor's claim to that of the total of all Trade Debt, including claims in Classes I, II, and III.

** Since making the Settlement Proposal, Robeson has changed its fiscal year-end to December 31.

percent (85%) in total dollar amount of the Class I, Class II, and Class III Creditors have accepted the Settlement Proposal. As the Company has been unable to generate sufficient cash which can be allocated to payments pursuant to the Settlement Proposal, the Company has not fully implemented the Settlement Proposal.

Alternative Settlement Plan

As a result of the Company's inability to implement the Settlement Proposal, the Company and the Unofficial Creditors Committee have discussed an alternative settlement plan. The plan contemplates payments to creditors out of an escrow to be funded with deposits equal to 25% of quarterly profits. Minimum annual deposits will be \$250,000 to be generated from operations and the implementation of cost cutting measures. In addition:

1. Class I Creditors who accepted the original Settlement Proposal were paid 30% of their claims without interest during March 1992. Approximately \$260,000 in claims were settled.

2. The Company will make quarterly payments into an escrow account under the control of Paul, Hastings, Janofsky & Walker, counsel to the Company, equal to 25% of the Company's quarterly profits with a minimum cash deposit of \$250,000 per year.

3. Class II Creditors who elected to take 25% of their claims in cash will be paid, as soon as possible on a quarterly basis out of the funds deposited in escrow, 25% of their claims with interest from May 1, 1991 at 10% per annum.

4. Class II and Class III Creditors who elected to take 50% of their claims in cash over time will be paid 50% of their claims with interest at 10% per annum from May 1, 1991 as soon as possible out of funds deposited in escrow once the Class I Creditors and the 25% Class II Creditors have been paid in full.

5. In March 1992, Class III Creditors who elected to convert all or a portion of their claims into common stock received Common Stock at a conversion price of \$.80 per share. Approximately \$700,000 in claims were converted to common stock.

6. A quarterly accountant's review of the Company's finances will be done by accountants for the creditors.

7. In the event there is an equity investment in the Company, no cash will be paid to existing shareholders before creditors have been paid off nor will there be a merger, recapitalization or sale involving the Company.

8. Stock to be issued to the creditors pursuant to the settlement will be registered no later than May 1, 1993.

9. A letter was sent during March 1992 to creditors giving a status report on the Company's business and finances and advising them of the means by which the Settlement Proposal will be implemented.

10. Creditors will have the right to have a representative appear and be heard at board meetings so long as the same representative appears regularly and has signed an appropriate confidentiality agreement.

Discussions with the creditors regarding this alternative plan are continuing. There can be no assurance that this or any alternative plan will be acceptable to the creditors.

ROBESON INDUSTRIES CORP. AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

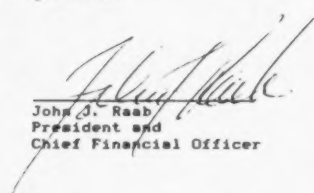
(b) The Company filed a report on 8-K on January 15, 1992 which is incorporated by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROBESON INDUSTRIES CORP.
(registrant)

Date: May 12, 1992



John J. Raab
President and
Chief Financial Officer